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RUEHJO/AMCONSUL JOHANNESBURG 7802  
RUEHTN/AMCONSUL CAPE TOWN 5179  
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DEPT FOR AF/S/RMARBURG; AF/EPS; EB/IFD/OMA  
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TREASURY FOR OAISA/RALYEA/CUSHMAN  
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PGOV, SF  
SUBJECT: SOUTH AFRICA ECONOMIC NEWS WEEKLY NEWSLETTER DECEMBER 28,  
2007 ISSUE

11. (U) Summary. This is Volume 7, issue 52 of U.S. Embassy  
Pretoria's South Africa Economic News weekly newsletter.

Topics of this week's newsletter are:

- Zuma to Review Inflation Targeting
- JSE Rocky for New Mine Listings
- PPI Slows to 9.1 Percent
- Trade Deficit Surprise Fall

End Summary.

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Zuma to Review Inflation Targeting  
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12. (U) Jacob Zuma, the newly elected President of the African  
National Congress (ANC), said that he would look into inflation  
targeting, the current monetary policy used by the South African  
Reserve Bank to control inflation. "Clearly, our main method of  
inflation targeting, which is hiking the interest rate, has resulted  
in complaints from both the top end of the financial spectrum as  
well as the bottom end," Zuma reportedly said. "So it stands to  
reason that there's some kind of problem there. And though I am not  
going to pretend that I have delved into the issue properly, it is  
something that I am going to get to," he said. The Reserve Bank has  
raised interest rates eight times since June 2006. In his first  
speech following his election, Zuma moved to calm fears that there  
would be a shift in economic policies. (Mail and Guardian, December  
24, 2007)

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JSE Rocky for New Mine Listings  
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13. (U) New mining listings had a rocky ride on the Johannesburg  
Stock Exchange in 2007, with most of the newcomers trading in  
mid-December below both debut prices and mid-year peaks. Seven  
resources companies joined the JSE this year, according to JSE  
business development manager Lauren Czepek, with another two or  
three in the pipeline for 2008. The JSE is also seeing a lot of  
interest from foreign-listed mining companies seeking dual listings  
because they had South African assets and resources, or else needed  
to raise capital in South Africa or enter black empowerment  
transactions, Czepek said. (Business Day, December 27, 2007)

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PPI Slows to 9.1 Percent

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14. (U) South Africa's producer price inflation (PPI) slowed to 9.1% year-on-year in November. This fell below forecasts, and was lower than the 9.5% rise in October. On a monthly basis, PPI rose by .3% after a 1.1% jump in October. RMB economist Kay Muller said the figure was good news as "it shows that inflationary pressures are showing signs of easing, and endorses our view that interest rates will be left on hold in January." However, Investec Group economist Annabel Bishop said that, while the figure was lower than expected, there is a "growing risk" of further interest rate hikes as CPIX inflation is likely to peak at close to 9% early next year. (Business Day, December 20, 2007)

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Trade Deficit Surprise Fall  
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15. (U) The trade balance narrowed significantly in November to R608 million (\$87 million), the smallest gap since December 2006, compared with October's record R14.73 billion (\$2.1 billion) shortfall. Contributing to the deficit was a month-on-month decrease in imports of mineral products, machinery and original equipment components, and a month-on-month increase in exports of equipment components, and a month-on-month increase in exports of precious stones and metals and mineral products. The cumulative trade deficit for the first 11 months of 2007 was R71.3 billion (\$10.2 billion), in comparison to R67.5 billion (\$9.6 billion) for the same period last year. This narrower-than-expected deficit will take some pressure off the rand and interest rates, with decreasing concern about the current account deficit for the fourth quarter. However, the current account deficit remains large, and will be around 6.5% of GDP in 2007. (Business Day, December 28, 2007)

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